Project Agreement
(The Development of Carbon Capture and Storage Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(acting as administrator of Carbon Capture and Storage Trust Fund)

and

SOUTH AFRICAN NATIONAL ENERGY DEVELOPMENT INSTITUTE

Dated FEBRUARY 9, 2018
PROJECT AGREEMENT

AGREEMENT dated FEBRUARY 9, 2018, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as administrator CARBON CAPTURE AND STORAGE TRUST FUND ("World Bank") and SOUTH AFRICAN NATIONAL ENERGY DEVELOPMENT INSTITUTE ("SANEDI" or the "Project Implementing Entity") ("Project Agreement"), in connection with the Grant Agreement of even date herewith between the REPUBLIC OF SOUTH AFRICA (Recipient) and the World Bank.

The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in the Grant Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Grant Agreement or in the General Conditions or in the Standard Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

Article III
Effectiveness; Termination

3.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been satisfied, namely, that this Agreement has been executed and delivered on behalf of the Project Implementing Entity and is legally binding upon it in accordance with its terms.
3.02. As part of the evidence to be furnished pursuant to Section 3.01 immediately above, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Project Implementing Entity, showing the following matters:

(a) that on behalf of the Project Implementing Entity, that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Project Implementing Entity and is legally binding upon it in accordance with its terms; and

(b) that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

3.03. Except as the World Bank and the Project Implementing Entity shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Project Implementing Entity notice of its acceptance of the evidence required pursuant to Section 3.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the CCS TF Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

3.04. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement (the "Effectiveness Deadline"), unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Chief Executive Officer.

4.02. The World Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: Facsimile:
4.03. The Project Implementing Entity’s Address is:

South African National Energy Development Institute
CEF House
152 Ann Crescent
Strathavon
Sandton
Republic of South Africa
AGREED at PRETORIA on 9th FEBRUARY, 2018 as of the

day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
(acting as administrator of the Carbon Capture
and Storage Trust Fund)

[Signature]
Authorized Representative

Name: PAUL NOUMBA UM
Title: COUNTRY DIRECTOR

SOUTH AFRICAN NATIONAL ENERGY
DEVELOPMENT INSTITUTE

[Signature]
Authorized Representative

Name: THEMBEKISO MAZI
Title: Interim CEO
SCHEDULE
Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall assign and maintain throughout Project implementation, adequate personnel with terms of reference, qualifications and experience, satisfactory to the World Bank.

2. Without limitation on the provisions of Section I.A.1 immediately above, said personnel shall be responsible for day-to-day administration of the overall planning and coordination of the Project Implementation, and for the technical, fiduciary (procurement and financial management), environmental and social safeguards compliance, coordination, monitoring, evaluation, reporting and communication of the activities under the Project, all in accordance with the provisions of this Agreement, and the Operational Plan.

B. Steering Committees

1. The Project Implementing Entity shall carry out the Project under the oversight of the Steering Committees, and the SANEDI Board of Directors.

2. Without limitation upon the provisions of Section I.B.1 immediately above, the Project Implementing Entity, shall act as the designated secretariat of the Steering Committees.

C. Anti-Corruption

The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

D. Environmental and Social Safeguards

1. (a) The Project Implementing Entity shall carry out Part A of the Project in accordance with the Environmental and Social Impact Assessment for Seismic Survey and Test Drilling (ESIA-ST) and the Environmental and Social Management Plan for Seismic Survey and Test Drilling (ESMP-ST), and any site specific environmental and social impact assessment(s) and/or environmental and social management plan(s) that may be prepared under the Project, including the site specific Environmental and Social Impact Assessment for the Storage Site (ESIA-SS) and the site specific Environmental and Social Management Plan for the Storage Site (ESMP-SS) (Safeguard Instruments).
(b) Without limitation to paragraph 1 immediately above, the Project Implementing Entity shall, at all times during the implementation of the Project, ensure specialized, effective and adequate supervision and implementation of the Safeguard Instruments.

(c) The Project Implementing Entity shall, prior to the commencement of any activity on any identified CO₂ storage site: (i) prepare, adopt and disclose, in form and substance satisfactory to the World Bank, any site specific environmental impact assessment(s) and/or environmental and social management plan(s) and/or the ESIA-SS and the ESMP-SS, taking into account, inter alia, risks of seismicity, impacts on water quality, human health and safety, and any associated leakage risks; and (ii) prepare and submitted for the Recipient’s approval an Operational Plan for Stage 6, in form and substance satisfactory to the World Bank.

2. The Project Implementing Entity shall, update the Environmental and Social Impact Assessment for the FEED study (ESIA-FEED) for Part B of the Project, in form and substance satisfactory to the World Bank, to include any additional details on the design of the CCPP. To this end, said update shall incorporate the associated mitigation and monitoring measures included in the relevant environmental and social management plan(s) for the construction and operation of the Kusile coal-fired powered plant.

3. The Project Implementing Entity shall ensure that there will be no involuntary land taking or involuntary resettlement as a result of any activity under the Project.

4. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall: (a) not amend, suspend, abrogate, repeal or waive any Safeguard Instrument without prior approval in writing by the World Bank; and (b) ensure that adequate information on the implementation of respective Safeguard Instruments (including information on how potential negative impact has been minimized), is suitably included in the Project Reports referred to in Section II.A.1 of this Schedule.

E. Implementation Arrangements for PCSP

1. Upon completion of geological investigation under Stage 3 of PCSP, the Project Implementing Entity shall prepare a characterization plan for the selected site for the PCSP (including the reservoir, injection location and source of CO₂) and submit such plan to the World Bank for its review. The Project Implementing Entity shall duly take into account the World Bank’s views and recommendations in deciding whether the proposed site is suitable for the PCSP. If the site characterization process finds that the proposed site is not suitable for hosting the PCSP, the Project Recipient, the Project Implementing Entity, and the Bank shall hold consultations on the next steps and alternative approaches, before proceeding to Stage 4.
2. Upon completion of the schematic engineering design under Stage 4 of PCSP, the Project Implementing Entity shall submit to the World Bank a report which shall include well and surface facility design, an operational monitoring program, a construction plan, and operation and closure plan, and detailed procurement tender documents for construction of storage facilities. The Project Implementing Entity shall duly take into the account the World Bank’s views and recommendation on the above-referred documents prior to proceeding to Stage 5.

3. Upon completion of construction under Stage 5, the Project Implementing Entity shall submit to the World Bank a report on completion of Stage 5 and evidence, in form and substance satisfactory to the World Bank, that the constructed facilities have undergone inspection by competent authorities and are certified as safe and reliable for Recipient, handling and injection of CO₂. The Project Implementing Entity shall not proceed to Stage 6 until the World Bank shall complete the review and issue its no-objection to proceeding to Stage 6.

4. The Project Implementing Entity shall:

(a) not later than June 30, 2021, or such later date as the World Bank may establish following consultations with the Recipient and the Project Implementing Entity, prepare and adopt an action plan, approved by the Recipient and satisfactory to the World Bank, for monitoring the implementation of the closure of the PCSP during Stage 7, and decommissioning the infrastructure associated with the CO₂ injection; and

(b) thereafter: (i) continue for a period of seven (7) years after December 31, 2021, or such later date as the World Bank may establish following consultation with the Recipient and the Project Implementing Entity, annually to furnish the World Bank with such progress reports as the Project Implementing Entity may prepare in respect of Stage 7 for the benefit of and as approved by the Recipient; and (ii) afford the World Bank a reasonable opportunity to exchange views with the Recipient and the Project Implementing Entity on such progress reports.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 2.06 of the Standard Conditions, and on the basis of the Indicators acceptable to the World Bank. Each Project Report shall cover the period of six calendar months, and shall be furnished to the Recipient not later than forty-five (45) days after the end of the period covered by such report for
incorporation and forwarding by the Recipient to the World Bank of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than three (3) months after the Closing Date, for incorporation in the report referred to in Section 2.06 of the Standard Conditions (Completion Report) all such information as the Recipient or the World Bank may reasonably request for the purposes of such Section.

C. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall, not later than forty-five (45) days after the end of each calendar quarter, prepare and furnish to the Recipient and the World Bank interim unaudited financial reports for the Project, covering expenditures incurred during the said quarter, in form and substance acceptable to the World Bank.

3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one Fiscal Year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the World Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the World Bank.

4. The Project Implementing Entity shall, not later than six months after the Effective Date, prepare and submit to the World Bank, terms of reference for the external auditor, in form and substance satisfactory to the World Bank.

Section III. Procurement

All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement.